



Bank Notes

A Newsletter for Michigan Lenders

July 20, 2006

Issue 139

New SBA Administrator



Steven C. Preston was sworn in on July 10th as Administrator of the U.S. Small Business Administration. Preston is a former business executive

with broad experience in financial management and executive leadership. He is the 22nd Administrator of the SBA since the agency's establishment in 1953, succeeding Hector V. Barreto, who took office on July 25, 2001.

"I am grateful to President Bush for the opportunity to serve in a way that so directly affects the lives of so many Americans," Preston said. "I am also humbled by the bipartisan support I have received in Congress and am committed to fostering a strong relationship with the many stakeholders of the SBA."

During his confirmation hearing on June 21, Preston emphasized the importance of sophisticated financial management, operational responsiveness and a customer service culture at the SBA. "None of this happens by accident," he said. "It requires dogged focus to move the ball forward each and every day."

Until recently, Preston was Executive Vice President of The ServiceMaster Company, a major franchising organization with thousands of small businesses in its network. Preston also had served as Chief Financial Officer. He previously had been Senior Vice President and Treasurer of First Data Corporation, and an investment banker at Lehman Brothers. He currently serves as vice chairman of the Board of Visitors for the Weinberg College of Arts and Sciences at Northwestern University, and has served on numerous boards of philanthropic and other organizations.

Bank Notes Distribution

If you know someone who would like to receive future issues of Bank Notes, they will need to subscribe through SBA's Free Newsletter and Publication Subscription Center.

The process is easy. Simply go to Web page <http://web.sba.gov/list/>; then scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and e-mail address at the bottom of the page and hit the "Subscribe" button.

FY 2006 Third Quarter Lending Report

After the first nine months of FY 2006, Michigan is on pace to set records for the 5th year in a row in both the 7(a) and 504 loan programs. In addition, we are well ahead of the agency as a whole, as our 17% increase in 7(a) loans compares to a 1% increase nationally, while our 50% increase in 504 loans compares to a 13% increase nationally. On the other hand, loans to businesses owned by veterans and women are listed below to call your attention to two areas in which we are well below expectations. We greatly appreciate your continuing support of SBA's guaranty loan programs.

	FY 2005	FY 2006	Increase
7(a) Loans	2,168	2,537	17%
504 Loans	126	189	50%
7(a) Dollars	\$332,493,000	\$305,434,000	-8%
504 Dollars	\$74,056,000	\$93,250,000	26%
Loans to Veterans	151	152	1%
Loans to Women	530	444	-16%

U.S. Small Business Administration
477 Michigan Avenue, Detroit, Michigan 48226
P (313) 226-6075; Fax (313) 226-4769; E-mail michigan@sba.gov



Lenders Supporting the 504 Loan Program

For the first nine months of FY 2006, under the 504 Loan Program we have approved 189 loans worth \$92.5 million. These loans have been supported by 68 different third party lenders. Since there were only 67 different third party lenders in all of FY 2005, that 68 have participated after only nine months shows the growing appreciation that lenders have for a program that is still under-utilized in Michigan. Lenders which have supported eight or more 504 loans are as follows:

Lender	# of Loans
Fifth Third Bank	29
KeyBank	11
Macatawa Bank	10
Chase	8
National City Bank	8
Huntington National Bank	8

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

Revised Form for IRS Verification

SBA Notice 5000-991 requires the use of the newly revised IRS Form 4506-T (April 2006) instead of the previous IRS Form 4506-T (November 2005). To ensure SBA related requests are provided expedited handling and that requesters are not charged for tax transcripts, SBA's logo must be included at the top of the form. Form 4506-T is available under Forms on the SBA Banking site <http://www.sba.gov/banking>.

SBA's tax verification policy continues to require that historical business financial information submitted to lenders in support of SBA loan applications be verified with business tax return information submitted to the IRS. This requirement does not extend to business start-ups where historical information is not available or to the situations where

business financial information is not used in the loan analysis, such as may be the case with credit scoring. This applies to both 7(a) and 504 Loan Programs.

IRS Form 4506-T requesting verification should be faxed to the Cincinnati IRS Service Center at (859) 669-3592. The contact person is Christina Pickett at (859) 669-2126. The mailing address is

RAVIS Team
PO Box 145500, Stop 2800F
Cincinnati, OH 45250

Questions or concerns regarding Form 4506-T or SBA tax verification issues may be directed to Leslie Gierke at (313) 226-6075 ext. 237 or at leslie.gierke@sba.gov.

Michigan Certified Development Companies

Economic Dev. Foundation-Certified

1345 Monroe, NW, Suite 132
Grand Rapids, MI 49505
P (888) 330-1776

Growth Finance Corporation

4747 West 48th Street
Fremont, MI 49412
P (231) 924-7461

Lakeshore 504 - South Office

272 East 8th Street
Holland, MI 49423
P (616) 392-9633

Lakeshore 504 - North Office

One South Harbor Drive
Grand Haven, MI 49417
P (616) 846-3153

Metropolitan Growth and Development Corporation

600 Randolph Street, Third Floor
Detroit, MI 48226
P (313) 224-0820

Michigan Certified Development Corporation

912 Centennial Way, Suite 300
Lansing, MI 48917
P (517) 886-6612

Oakland County Business Finance Corporation

1200 N. Telegraph
Executive Office Building
Pontiac, MI 48341
P (248) 858-0879

SEM Resource Capital

17177 N. Laurel Park Drive, Suite 360
Livonia, MI 48152
P (734) 464-4418

SEM Resource Capital

800 Monroe Ave NW, Suite 212
Grand Rapids, MI 49503
P (616) 242-5153



Reminder - Michigan Lender's Web Site Available

Don't forget to check out the new Lender's Web page at http://www.sba.gov/mi/mi_lenderspage.html. This site contains past and current issues of Bank Notes, press releases concerning the SBA loan programs, downloadable copies of the 7(a) application forms, links to SBA's Electronic Lending Web site, Information Notices, and more.

Also available is the 7(a) Lender Training Basic presentation. This 30 minute narrated PowerPoint presentation provides a good overview of the SBA loan program.

Fraudulent Schemes Detected on SBAExpress Loans

SBA's Office of Inspector General has issued SBA Information Notice 9000-1622 regarding fraudulent schemes that it has detected on a number of SBAExpress loans.

Some of the patterns and indicators in these schemes include:

- 1) The fraud schemes are perpetrated by a loan packager or broker and borrowers who the packager/broker has recruited through newspaper ads or in person at local organizations.
- 2) A number of these loans involved a packager/broker who recruits borrowers of the same ethnic group, who are often recent immigrants.
- 3) Multiple loan applications that reflect the same handwriting and business address.
- 4) False statements made as to the length of time a business has been in existence, the number of employees, sales figures, business address, and other information. In many cases, the businesses do not even exist.
- 5) Loan applications submitted to different lenders for the same business. The borrower does not disclose that he/she has applied for loans elsewhere.
- 6) Borrowers using either false social security numbers or obtaining multiple loans through the same social security number.

To read the entire notice, including the IG's recommendations to deter and prevent this fraud, please go to SBA's Michigan Lenders Resource Web page at http://www.sba.gov/mi/mi_lender-info_notices.html.

2007 Michigan Lenders' Conference

Hold the Date! SBA's 9th Annual Michigan Lenders' Conference will be held March 22 2007, at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

As always, SBA's Lender awards will be presented during lunch.

If you have any suggestions for this conference please do not hesitate to call Richard Temkin or Leslie Gierke at (313) 226-6075.

Pay.gov - Electronic Portal is Available

All lenders doing business with the SBA will be able to access the Pay.gov Web site to make electronic remittances for Form 172. The Pay.gov Web site address is <https://pay.gov/paygov/>.

Pay.gov is a free, secure, government-wide financial management transaction portal managed by the U.S. Department of the Treasury's Financial Management Service, developed in conjunction with the Federal Reserve Bank. It offers various on-line electronic financial services that the public can use for remitting payments and associated data electronically to federal agencies. Pay.gov is convenient, easy, and available 7 days a week - 24 hours a day.

To read the entire notice please go to SBA's Michigan Lenders Resource Page at http://www.sba.gov/mi/mi_lender-info_notices.html. Information on how to access the Pay.gov Web site is provided on Attachment A to this notice.